

**General Government
Teachers' Retirement System**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Total General Fund	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Restricted Funds					
Balance Forward	1,751,527				
Non-Revenue Receipts	6,861,973	9,011,400	9,487,500	9,409,300	10,361,500
Total Restricted Funds	8,613,500	9,011,400	9,487,500	9,409,300	10,361,500
TOTAL SOURCE OF FUNDS	139,413,100	350,843,000	428,764,100	166,735,400	173,684,600
EXPENDITURES BY CLASS					
Personnel Cost	7,188,100	7,529,400	7,900,800	7,983,900	8,936,100
Operating Expenses	1,296,700	1,349,300	1,450,700	1,296,700	1,296,700
Grants, Loans or Benefits	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Capital Outlay	128,700	132,700	136,000	128,700	128,700
TOTAL EXPENDITURES	139,413,100	350,843,000	428,764,100	166,735,400	173,684,600
EXPENDITURES BY FUND SOURCE					
General Fund	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Restricted Funds	8,613,500	9,011,400	9,487,500	9,409,300	10,361,500
TOTAL EXPENDITURES	139,413,100	350,843,000	428,764,100	166,735,400	173,684,600

The Teachers' Retirement System, as defined in KRS 161.220-161.716, was established in 1940 to provide a broad program of retirement benefits, death and survivor benefits, medical insurance benefits, and disability benefits to its membership.

Administration of the System is the responsibility of the nine-member Board of Trustees. Two of the members are ex-officio, serving by reason of their constitutional offices. They are the Commissioner of Education and the State Treasurer. The members of the Retirement System elect the remaining seven trustees for four-year terms. Four of these must be active members of the Retirement System, one must be a retired member, and two must be persons from outside the teaching profession. The Board of Trustees appoints an Executive Secretary who is responsible for the administration of the affairs of the Retirement System under policies established by the Board. The most important objectives of the Board of Trustees are to maintain a retirement system that is actuarially sound and to maintain member benefits at a level that is comparable with the benefits provided other state employees through the Kentucky Employees' Retirement System and the Social Security System.

Membership is comprised of all persons occupying positions in the public elementary or secondary schools for which certification is required. In addition, staff members of Western Kentucky University, Eastern Kentucky University, Morehead State University, Murray State University, Kentucky State University, professional staff of the Department of Education, Cabinet for Workforce Development, faculty members of the School for the Deaf, the School for the Blind, as well as faculty of the state and area vocational schools are members. Membership is mandatory for all persons teaching in the public schools or other institutions covered by the statutes governing teachers' retirement.

Benefits are financed through member contributions, corresponding contributions by the state, and income accruing from the invested reserves of the system. The General Assembly has set the member and state contribution rate at 9.855 percent of gross salary. University faculty members contribute 8.375 percent of gross salary and the state matches this amount. In addition, each employer contributes an overmatch of 3.25 percent of gross salary to help reduce the system's unfunded liability. The reserves of the agency are invested in a manner that will provide a reasonable rate of return with major emphasis on the protection of the reserves.

The employer match for Department of Education, the Cabinet for Workforce Development, and university employees is budgeted

within the Department, the Cabinet, and the affected universities and is then transferred to the Teachers' Retirement System.

Funding for the employer match on behalf of local school district members is provided as an adjunct to the Support Education Excellence in Kentucky program (SEEK) within the Department of Education.

Policy

The Executive Budget includes sufficient General Fund support to meet the amortized cost of previously enacted cost-of-living adjustments (COLAs) and other benefit improvements for system members.

The enacted budget includes \$4,293,800 in fiscal year 2007 and \$9,211,000 in fiscal year 2008 in General Fund support for initial payments on the amortized cost of increased retirement allowances for those recipients retiring during the 2006-2008 biennium who are eligible to add accrued sick leave to their final year of service.

The Governor's budget recommendation includes \$4,312,800 in fiscal year 2007 and \$7,865,100 in fiscal year 2008 to provide a targeted ad hoc COLA effective July 1, 2006, to those retirees who, due to the passage of time, have seen their benefits most negatively affected by increases in the Consumer Price Index. The targeted COLA will be in addition to the automatic annual 1.5 percent COLA provided all retirees by the retirement system.

The Executive Budget includes \$13,325,100 in fiscal year 2007 and \$13,325,100 in fiscal year 2008 in continuing payments for the amortized cost of medical insurance outlays during the 2004-2006 biennium.

The Governor's budget recommendation also includes \$8,793,000 in fiscal year 2007 to pay in cash \$8,793,000 of the fiscal year 2007 health insurance benefit costs rather than amortizing all of the fiscal year 2007 costs. In fiscal year 2008 \$14,133,200 is provided for the cost of the State Medical Insurance Stabilization Contribution based on projected need during the 2006-2008 biennium. It represents the amortization of the fiscal year 2007 health insurance benefit costs that were not already financed in fiscal year 2007 and assumes that the fiscal year 2008 health insurance benefit costs will also be amortized.

Also included in the Governor's budget recommendation is \$10,091,100 in fiscal year 2007 and \$9,116,400 in fiscal year 2008 for the cost of the medical insurance subsidy as established in HB 1 enacted by the October 2004 Extraordinary Session of the General Assembly. Finally, the Governor's budget recommendation includes \$50,000 in both fiscal year 2007 and fiscal year 2008 for a subsidy for retired members over age 65 who insure their spouses under age 65 through the state health insurance plan. These amounts were also established in HB 1 enacted during the October 2004 Extraordinary Session.